CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

CROMPTON & KNOWLES CORPORATION 1966 ANNUAL REPORT

1966 HIGHLIGHTS

	1966	1965
Net sales	$66,143,000	$62,002,000
Net earnings	2,923,000	3,158,000
Stockholders' equity— end of year	30,237,000	28,858,000
Average shares outstanding	2,002,970	1,981,128
Per share:		
Net earnings	$ 1.46	$ 1.59
Dividends paid	.80	.70
Stockholders' equity	15.11	14.44
Number of stockholders	4392	3056
Number of employees	2964	2837

COVER—Machinery, dyes and colors from Crompton & Knowles contribute to the manufacture of more and more familiar products. C&K machinery forms fabrics–woven and non-woven–, cures permanent press garments, coats wire and cable, extrudes plastics, rubber and synthetic fibers, forms plastic sheet and pipe, and packages and overwraps and cartons almost anything on a production basis. Our Chemicals Group supplies dyestuffs and colors for textiles and similar products, plastics, and U.S. Government certified colors for foodstuffs, pharmaceuticals and other edibles.

In the home, you see results of the above in clothing, carpets, upholstery, drapes, toys, house siding and shutters, coated window frames, appliance hoses, electric wiring, telephone cord, containers and soft bottles, boxes and pouches for food and drugs, and appealing foods.

PRESIDENT'S REPORT

To Our Stockholders:

Sales of $66,143,000 for 1966 again reached a new peak, and were over $4,000,000 above 1965's banner year of $62,002,000. Net earnings did not keep pace with higher volume and were $2,923,000, or $1.46 a share, for 1966 compared with $3,158,000, or $1.59 a share, in 1965.

Total textile equipment sales in 1966 of $35,519,000 were modestly ahead of those for the previous year. But of that total, the dollar volume of box loom business from our Worcester plant, due in substantial measure to current fabric trends, slumped almost 20% from 1965. The consequent drop in earnings at that location was a strong factor in the reduction of 1966 consolidated profits.

Sales of all other product lines advanced roughly 14% in the 1966 year. Not all the increases in output carried proportional increments in profit. Higher costs of doing business, competitive pressures, difficulties in securing full quotas of skilled labor, and subcontracting were all factors preventing proportional growth in earning power.

The most important setback in earnings growth was to be found in the plastics processing machinery division. Here demand for our equipment had accelerated so extraordinarily that resources of plant, organization, and systems proved inadequate to cope suitably with the influx of new business.

Given a continuation of present general economic conditions, the outlook is good for Crompton & Knowles for 1967. Current order position is excellent, and demand is expected to remain from good to strong for all of the company's lines, with one possible exception. Requirements for new weaving machinery for broad goods may continue at the present low level. When there will be an upturn remains uncertain. However, a stable and sizable foundation of changeover and repair parts volume assures good activity for this general area of our business. Organization and divisional management changes recently have been made to improve unsatisfactory profit centers and a more acceptable contribution to over-all earnings thus is to be looked for.

Frederic W. Howe, Jr.

January 20, 1967

Frederic W. Howe, Jr.
President

Textile producers attract the consumer by illustrations like this one by Fieldcrest Mills featuring towels made on our versatile looms. Textiles are becoming more appealing as manufacturers sharpen their styling and marketing skills.

TEXTILE MACHINERY

Portion of Company's total sales—54%

Products—box looms/jacquards/needle looms/shuttleless looms/gang shuttle looms/Malimo machines/Fiber Lockers for non-wovens / Machinery for: wet processing/tentering/drying and curing /garnetting/fiber opening, blending, and processing

Plants—Worcester and North Adams, Massachusetts; Pawtucket and Providence, Rhode Island; Greenville and Mauldin, South Carolina; Charlotte, North Carolina; Los Angeles, California

Overall textile machinery sales were slightly more than those of 1965, and continued growth and strength were shown in the non-woven and fiber processing areas. Our jacquard and fiber preparation operations had their best years in history. Loom shipments dropped somewhat from the previous year, due principally to the relative lack of emphasis in textile markets on multishuttle loom fabrics.

During the year another constructive step was taken to broaden the Textile Machinery Group by the acquisition of the Winsor & Jerauld Manufacturing

Our exhibit at the Southern Textile Exposition was a popular place. Unusual attention was directed to the tall machine in the foreground for making sample fabrics economically, previously always a costly problem for major mills.

Company of Providence, Rhode Island, manufacturers of special tenter frames and drying equipment. This machinery, which is complementary to other lines of equipment we make, will enable the company to offer a complete line of finishing equipment in the drying field.

In October 1966, your company participated in the Southern Textile Exposition in Greenville, South Carolina, with its newest model narrow fabric needle loom, a high speed conventional box loom, and our new OFS (outside filling supply) loom capable of weaving eight colors and eliminating the necessity for bobbins. Although the last named loom is a prototype, several trial mill installations are now being planned. Our fiber preparation and drying lines were also well received at this show.

The Malimo project continued on schedule and the first group of production machines built in Worcester was shipped to American mills. These shipments have resulted in reorders and, at the present time, we look forward in 1967 to increasing production of this completely new and unique method of forming fabrics. Burlington Industries has set up a separate division called Burlington Nexus Fabrics for Mali production and is now promoting Mali fabrics in several different market areas.

To increase the effectiveness of our loom sales force and to provide greater services to our customers, the main loom sales office was moved from Worcester, Massachusetts, to Charlotte, North Carolina, during the fall of 1966. Land has been purchased at the location and tentative plans have been announced to construct a new warehouse, sales-service department and demonstration room.

Fiber processing, blending and non-woven machinery sales exceeded those of last year. The latter was aided considerably by the dramatic increase in usage of polypropylene indoor-outdoor carpeting. This product, which has gained wide acceptance for use not only in and around the home, but also in motels, schools and hospitals, is made on our Hunter Fiber/Locker. All indications point to increasing consumer acceptance and popularity of this product in the years ahead.

We enter 1967 with a satisfactory backlog of orders for our Textile Machinery Group. It is too early to predict the full impact of recent Congressional action suspending the 7% investment credit on machinery purchases and rapid depreciation on structures. This could mean the deferment or postponement of many plans for new plants and expansion on the part of textile producers which could have an adverse effect on our weaving machinery business. Notwithstanding, the outlook for non-woven equipment and fiber processing machinery continues very favorable.

Travelers at the busy heliport on top of New York's Pan-American Building walk on polypropylene indoor-outdoor carpeting made on our Hunter Fiber/Locker. Demand is strong for this durable, all-weather but inexpensive carpeting with its many uses. Non-woven fabrics like this are finding new applications every day.

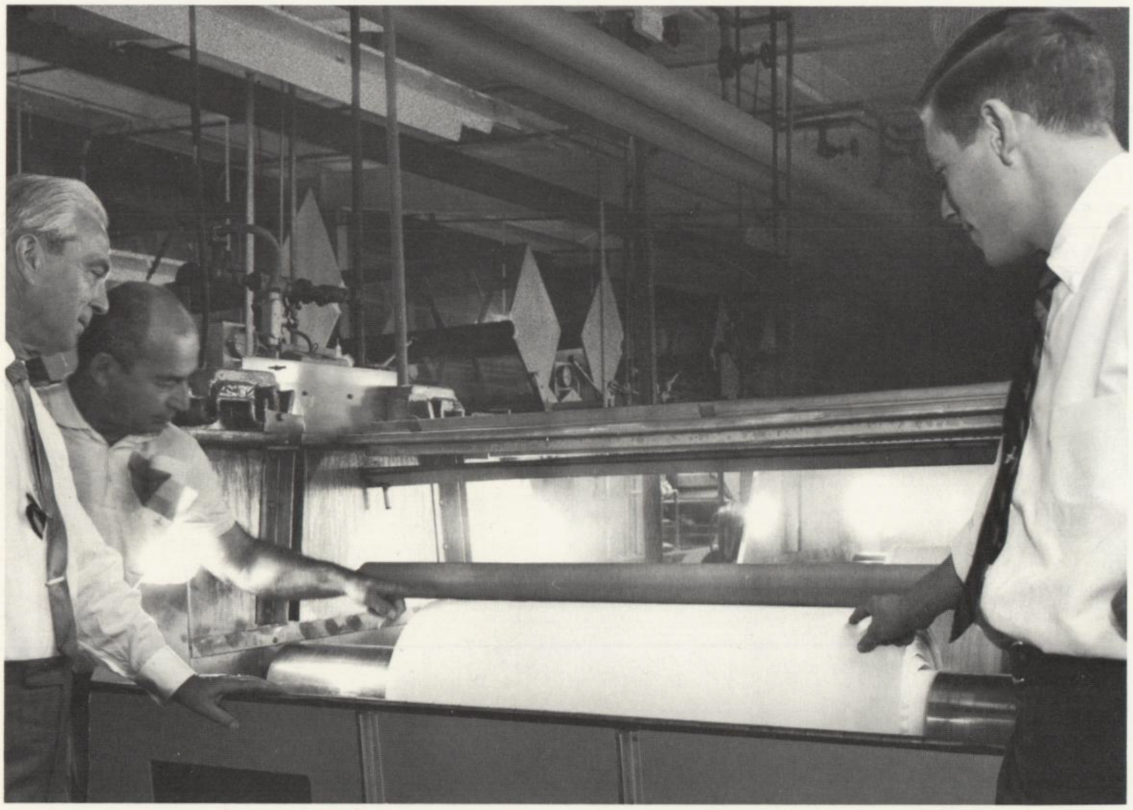
CHEMICALS AND DYESTUFFS

Portion of Company's total sales—13%

PRODUCTS—acid dyes / direct dyes / fixatives / levelling agents / modified and basic dyes / dispersed dyes for natural and synthetic fibers / colors for plastics —dry blends, concentrates, and paste/ FD&C soluble colors / FD&C insoluble color lakes

PLANTS—Reading and Gibraltar, Pennsylvania; Chatham, New Jersey; Melrose Park, Illinois; Sandusky, Ohio

Sales of each of the chemicals divisions, Althouse, Bates, and Plastic Color, again set new records in the U.S. and abroad in 1966, although the rate of growth did not quite equal the preceding year. Progress on new product lines —Altocryl basic dyes for acrylic fibers, lakes of certified colors for food and pharmaceutical applications, and concentrates of such lakes for coloring plastic articles for food and drug pack-



Problem solving for customers is a specialty at C&K. To eliminate streaking of dyed fabric, three of our divisions collaborated to develop this Flowtrue Log Roll as a solution. Coordinated effort paid off as Technical Representative William Walker, on the right, demonstrates to the customer.

aging—was particularly encouraging.

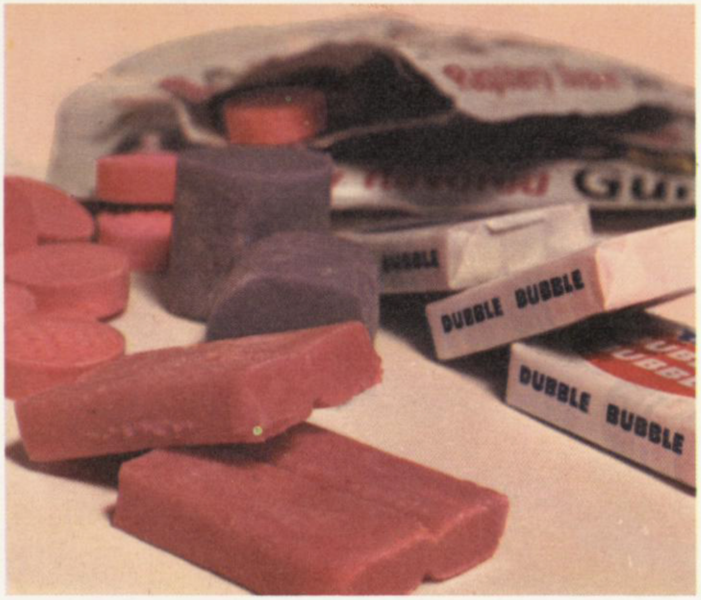
During 1966, the Chemicals Group explored a substantial number of acquisitions and diversification possibilities here and abroad. Several of these were being actively pursued at year end. It is expected that at least one of these and perhaps more will come to fruition in 1967. Growth and strengthening by acquisition is being explored to round out those portions of our activities which do not readily lend themselves to internal development with our existing staff and facilities. In addition to these efforts, new product and new application research related to our present product lines was also intensified in 1966. Several promising new dyestuffs and one pharmaceutical item were introduced to the trade as a product of this work and our new research laboratory at Gibraltar, Pennsylvania.

The major market for Chemicals Group products in 1966 continued to be the dyeing of textiles. The reputation which Althouse service men have earned for providing practical, economical solutions to dyehouse problems was further enhanced by the development last fall of the Flowtrue Log Roll. Especially useful in jig dyeing of lightweight fabrics, this is an ingeniously designed roll with continuous cross threads which permits controlled flow of dye liquor and eliminates mechanical causes of "railroad tracks" or dye streaks. The skills and textile experience of three divisions of Crompton & Knowles were drawn on in the development of this mechanical solution to a chemical dyeing problem.

The growth of our Plastic Color service to the booming plastics industry led to the opening of a small, new plant in Sandusky, Ohio, and to plans for new, modern, and enlarged facilities in the metropolitan New York area.

At year end the eyes of the dyestuff manufacturers of the United States were on Geneva, Switzerland, where negotiators from all over the world were trying to develop workable and acceptable tariff reductions in the Kennedy Round of GATT. A major stated objective of the European negotiators has been the elimination of the American Selling Price (ASP) method of valuing imports of benzenoid chemicals. The Synthetic Organic Chemical Manufacturers Association (SOCMA), the principal United States dyestuff industry association, has vigorously opposed replacement of ASP with proposed converted rates of duty on grounds that essential protection for the dyestuff industry in the U.S. would be lost and the door opened to disastrous losses in profit and employment in this country.

Your company supports the SOCMA position. Since any proposal to eliminate ASP must come before Congress, your company strongly urges you to voice your opposition to such a move to your Representatives and Senators in the event such recommendations develop from the Geneva negotiations.



Small fry go for Dubble Bubble Gum and other Frank H. Fleer Corporation gum products colored with our Bates food colors. Other products using Bates colors include frankfurters, carbonated drinks, ice cream, candy and pharmaceutical tablet coatings.

FIBERGLASS REINFORCED PLASTICS

Portion of Company's total sales—2%

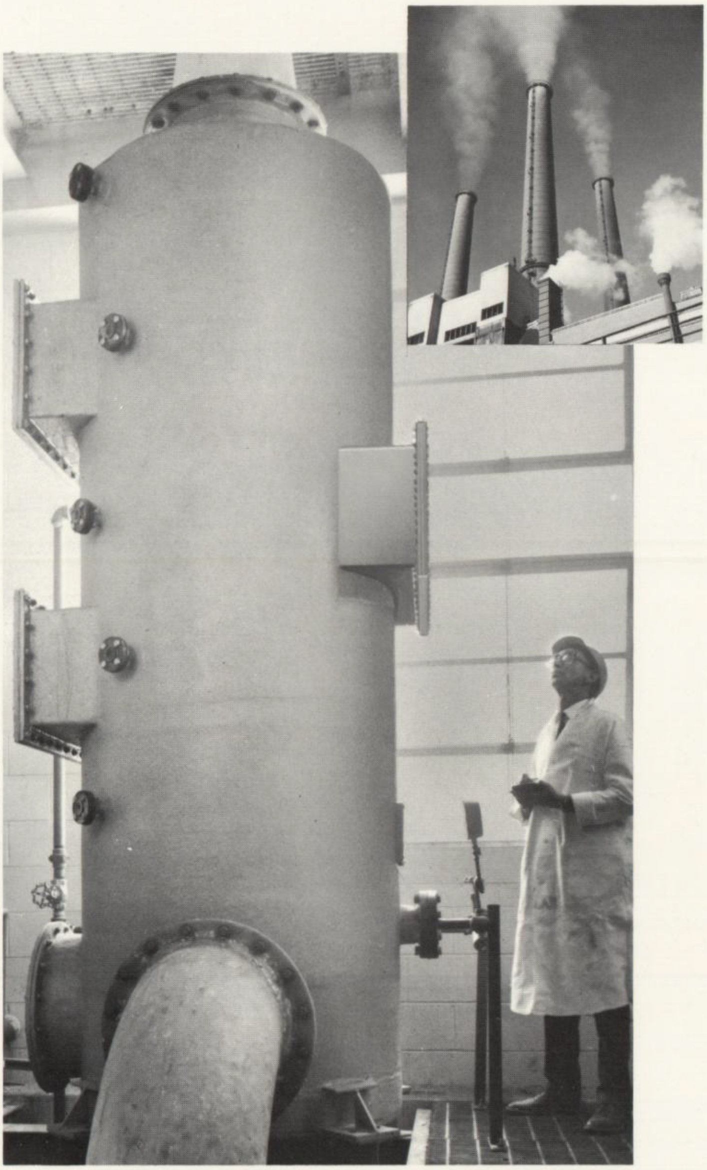
PRODUCTS — chemical processing equipment/filters, grating, fencing/architectural products/defense products

PLANT — Fall River, Massachusetts

Well known as a leading manufacturer of quality reinforced plastics, our Beetle Plastics Division continues to specialize in highly engineered products with the chemical processing industry as its major market. Equipment is made for this industry to handle corrosive liquids and fumes economically in both processing applications and waste removal. Current national emphasis on air and water pollution has increased interest in Beetle equipment for pollution control.

The scrubber illustrated is typical of the type of equipment manufactured for the removal of toxic and corrosive pollutants from process exhaust air. It is also the first major piece of equipment produced incorporating the recently developed polypropylene lining process. This method, though used successfully in Europe for several years, was not available in the United States until 1966. The combination of polypropylene and reinforced plastics widens the range of applications where Beetle equipment can be utilized and has demonstrated that it will have a strong bearing on future sales and profits.

The continuing growth of the chemical processing industry increases the demands of corrosion resistant equipment and, in turn, creates a vigorous market for Beetle's products.



Pollution is a familiar, dirty word as the United States seeks to clean its air and streams and eliminate scenes like the top picture. We make air pollution control equipment for some of the best names in the chemical process industry. Beetle Sales Engineer, Harris L. Weldon inspects polypropylene-lined plastic scrubber installed at a dye manufacturer.

AUTOMOTIVE COMPONENTS

Portion of Company's total sales—5%

PRODUCTS—truck axles and truck components

PLANT—Worcester, Massachusetts

Production of parts for the automotive industry progressed satisfactorily during 1966. Truck axles of several hundreds of thousands in number were shipped, as well as millions of other truck components.

Our automotive products have been well received in the industry, and we believe this fine addition to our Worcester operations will continue to grow in the coming year.

CONSOLIDATED EARNINGS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1966 WITH COMPARATIVE FIGURES FOR 1965

	1966	1965
Net sales	$66,142,900	$62,001,703
Cost of sales	50,904,404	45,460,844
Gross profit, exclusive of depreciation	15,238,496	16,540,859
Royalties and commissions income	735,569	659,838
Other income, net	167,494	115,804
	16,141,559	17,316,501
Selling, general and administrative expenses	8,681,163	8,895,033
Depreciation	1,291,295	1,220,568
Interest expense	279,728	275,978
	10,252,186	10,391,579
Earnings before income and state taxes	5,889,373	6,924,922
Income and state taxes:		
Federal and foreign income taxes	2,594,701	3,297,274
State taxes	371,240	469,842
	2,965,941	3,767,116
NET EARNINGS FOR THE YEAR	2,923,432	3,157,806
Retained earnings at beginning of year (1965 includes $79,967 applicable to pooled subsidiary)	22,535,065	22,008,532
Provision for prior years' Federal income and state taxes no longer required	—	208,000
	25,458,497	25,374,338
Deduct:		
Cash dividends paid, $.80 a share (1965—$.70)	1,604,686	1,385,388
Transfer to common stock account to reflect the conversion of no par to $5 par value common stock (note 9)	3,690,699	—
Provision to reduce investment in other marketable securities to approximate market value	—	510,000
Provision for losses on investments in and advances to foreign joint ventures	—	943,885
	5,295,385	2,839,273
Retained earnings at end of year	$20,163,112	$22,535,065

See accompanying notes to financial statements.

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1966

ASSETS

	1966	1965
Current assets:		
Cash	$ 1,501,962	$ 1,766,014
Marketable securities, at cost (approximates market) plus accrued interest	511,813	438,052
Notes and accounts receivable, less allowance for doubtful items $400,114 (1965 – $354,359)	11,234,853	10,985,738
Inventories (note 2)	17,497,730	14,818,818
Prepaid expenses	890,950	729,039
Total current assets	31,637,308	28,737,661
Other investments:		
Other marketable securities at 1965 market (1966 market – $609,059)	599,650	599,650
Investments in and advances to foreign joint ventures, at cost, less reserve $391,594	17,982	17,982
Total other investments	617,632	617,632
Property, plant and equipment (note 3)	12,718,384	12,298,046
Formulae, trademarks, trade names, patents and patent rights, less accumulated amortization $301,702 (1965 – $240,435)	532,796	579,607
Excess of cost of investments in businesses acquired over their net book values	2,792,580	2,792,580
	$48,298,700	$45,025,526

See accompanying notes to financial statements.

WITH COMPARATIVE FIGURES FOR 1965

LIABILITIES

	1966	1965
Current liabilities:		
Note payable to bank and installments on long-term debt (note 4)	$ 993,480	$ 493,480
Accounts payable and accrued expenses	7,953,299	6,353,706
Federal and foreign income taxes and state taxes	2,612,813	2,582,478
Total current liabilities	11,559,592	9,429,664
Pensions, less current portion included in accrued expenses (note 5)	678,000	759,000
Long-term debt (note 4)	4,062,474	4,555,954
Deferred Federal income taxes (note 6)	1,761,489	1,423,335
Stockholders' equity:		
Common stock, $5 par value:		
Authorized 2,800,000 shares		
Issued 2,037,540 shares (notes 8 and 9)	10,187,700	6,333,075
Additional paid-in capital (note 8)	148,531	109,021
Retained earnings	20,163,112	22,535,065
	30,499,343	28,977,161
Less 35,828 shares held in treasury, at cost (1965–28,228 shares)	262,198	119,588
Total stockholders' equity	30,237,145	28,857,573
	$48,298,700	$45,025,526

NOTES TO FINANCIAL STATEMENTS December 31, 1966

(1) Principles of Consolidation:

The consolidated financial statements include the accounts of the company and all of its wholly-owned and majority-owned subsidiaries. The accounts of the Canadian subsidiaries are stated at their appropriate United States dollar equivalents. All material inter-company transactions have been eliminated in consolidation.

On August 25, 1966, the company acquired all the outstanding capital stock of Winsor & Jerauld Manufacturing Company. Its accounts have been included in the accompanying consolidated financial statements from the date of acquisition.

(2) Inventories:

Inventories at the lower of first-in, first-out cost or market:

	1966	1965
Finished goods and manufactured parts . . .	$ 8,000,426	$ 6,106,886
Work in process . .	4,296,998	3,777,711
Raw materials and supplies	5,200,306	4,934,221
	$17,497,730	$14,818,818

(3) Property, Plant and Equipment:

Property, plant and equipment at cost:

	1966	1965
Land	$ 648,087	$ 634,711
Buildings and building improvements . . .	8,686,287	8,191,455
Machinery and equipment	14,204,267	13,248,973
Machinery leased to customers	574,483	436,741
Furniture and fixtures and miscellaneous equipment	2,147,437	1,990,843
Patterns, drawings, jigs, fixtures and small tools	1,286,300	1,286,300
Construction in progress	243,933	154,433
	27,790,794	25,943,456
Less accumulated depreciation . . .	15,072,410	13,645,410
	$12,718,384	$12,298,046

(4) Long-term Debt:

	Long-term	Current installments
20-year 5% sinking fund note payable in annual installments of $265,000 until 1982	$3,970,000	$265,000
Noninterest bearing note maturing in 1967 . .	—	200,000
Other notes maturing at various dates to 1974 .	92,474	28,480
	$4,062,474	$493,480

(5) Pensions:

The liability for past service costs under noncontributory retirement plans as of December 31, 1966 was estimated at $5,828,000. As a result of 1964 amendments to the plans, provision for pensions of $648,000 (net after taxes) included in liabilities in the accompanying balance sheet is no longer required and is being credited to earnings at the rate of $81,000 per year. Pension costs charged to 1966 earnings before this credit and before Federal income and state taxes were $973,000, of which approximately $380,000 relates to past service costs.

(6) Investment Credit:

Benefits derived from the investment credit provided by the Revenue Act of 1962 are being deferred ratably to future operations. The balance at December 31, 1966, $379,324, is included in Deferred Federal Income Taxes.

(7) Stock Options:

All options issued under the company's former restricted option plan have been granted at not less than 95% of the fair market value of the stock at the time the options were granted. The plan terminated in March 1966, after which no options could be granted.

On March 28, 1966, the stockholders approved a new restricted stock option plan making 100,000 shares available for future options at prices not less than 100% of the fair market value on the date of grant. No options had been granted under the new plan at December 31, 1966.

	Number of Shares	
	Issuable under options granted	Available for future options
Balance at December 31, 1965	29,000	15,800
Changes during year:		
Exercised at $4.0625 — $16.00 a share or a total of $24,125, compared with market prices of $19.50—$25.375 a share or a total of $70,250	(3,000)	—
Cancellation of options previously granted . .	(4,000)	—
Expired upon termination of the old plan . . .	—	(15,800)
Shares provided by new plan	—	100,000
Balance December 31, 1966	22,000	100,000

Options outstanding at December 31, 1966 were granted at prices of $4.0625 a share as to 4,000 shares and $10.625—$16.75 a share as to 18,000 shares.

(8) Additional Paid-in Capital:

Balance December 31, 1965 . . .	$109,021
Add:	
The excess of proceeds of stock sold under stock options over the cost of such stock to the company . . .	11,706
Excess of market value over par value of 10,956 shares of previously unissued common stock issued in connection with the acquisition of Winsor & Jerauld Manufacturing Company	136,950
	257,677
Less:	
Transfer to common stock account to reflect the conversion of no par to $5 par value common stock . .	109,146
Balance December 31, 1966 . . .	$148,531

(9) Stock Split:

On March 28, 1966 the stockholders voted to change the authorized 1,400,000 shares of Common Stock without par value to 2,800,000 shares of Common Stock with a par value of $5 per share and to change the 1,013,292 shares of Common Stock without par value issued at that date, including 13,114 shares in the treasury of the Corporation, to 2,026,584 shares of Common Stock with a par value of $5 per share. Retroactive effect has been given to this stock split in the accompanying financial statements and notes.

(10) Long-term Leases:

Real estate and production facilities are being leased by the company under long-term agreements. Pertinent details of the leases are summarized below:

	Initial Term (Years)	Expiration Date	Annual Rental
Gibraltar, Pa. plant	20	1985	$160,000
Pawcatuck, Conn. plant	25	1989	120,000
Machinery and equipment	10	1975	98,000
Machinery and equipment	8	1972	107,000

In addition to the annual rentals stated above, the company is required to pay insurance, real estate taxes, maintenance and repairs, etc.

The company has the option to purchase the machinery and equipment covered by the ten-year leases at prices substantially equivalent to the present value of the unpaid lease payments.

The leases on the Gibraltar and Pawcatuck plants, which are owned by two of the company's pension trusts, provide for renewal options of two additional five-year periods and thereafter on a year-to-year basis at an annual rental of 40% of the annual rental during the initial term of the leases.

The eight-year lease on machinery provides for reductions in annual rentals to $77,000 and subsequent unlimited one-year renewals at a nominal rental.

CONSOLIDATED SOURCE AND USE OF FUNDS

YEAR ENDED DECEMBER 31, 1966 WITH COMPARATIVE FIGURES FOR 1965

FUNDS WERE PROVIDED BY:	1966	1965
Net earnings after all charges	$2,923,432	$3,157,806
Charges to earnings, such as depreciation and deferred taxes, not requiring funds	1,617,827	1,564,643
Funds from earnings for the year	4,541,259	4,722,449
Plant and equipment retired, less accumulated depreciation	363,433	126,670
Net increase in working capital resulting from subsidiaries acquired	79,789	97,106
Sale of 3,000 (1965—10,000) shares of treasury stock under stock option plan	24,125	44,125
Provision for prior years' Federal income taxes and state taxes no longer required	—	208,000
Total funds provided	$5,008,606	$5,198,350

FUNDS WERE USED FOR:	1966	1965
Cash dividends paid to stockholders at the rate of $.80 (1965—$.70) a share	$1,604,686	$1,385,388
Purchase of machinery, equipment, and other productive facilities	1,714,474	1,541,487
Machinery leased to customers	256,757	436,741
Retirement of long-term debt	493,480	514,480
Purchase of 10,600 (1965—1,600) shares of treasury stock	155,029	23,066
Acquisition of patents and patent rights	14,461	20,397
Transfer of current assets to non-current classification	—	284,474
Increase in working capital	769,719	992,317
Total funds used	$5,008,606	$5,198,350

RECORD OF GROWTH — 10 YEARS ENDED

	1966	1965	1964
Operations			
Net sales	$ 66,142,900	62,001,703	52,354,356
Earnings before income and state taxes	$ 5,889,373	6,924,922	6,345,600
Federal and foreign income and state taxes	$ 2,965,941	3,767,116	3,654,733
Net earnings	$ 2,923,432	3,157,806	2,690,867
Net earnings as a per cent of sales	4.4	5.1	5.1
Dividends paid	$ 1,604,686	1,385,388	1,164,232
Depreciation	$ 1,291,295	1,220,568	1,167,480
Financial Position			
Current assets	$ 31,637,308	28,737,661	26,543,620
Current liabilities	$ 11,559,592	9,429,664	8,227,940
Working capital	$ 20,077,716	19,307,997	18,315,680
Ratio of working capital	2.7	3.0	3.2
Long-term debt	$ 4,062,474	4,555,954	5,070,434
Capital expenditures (excluding amounts acquired on acquisition of subsidiaries and going businesses)	$ 1,971,231	1,978,228	1,445,479
Stockholders' equity	$ 30,237,145	28,857,573	28,180,013
Shareholder Information			
Per share:			
Net earnings	$ 1.46	1.59	1.39
Dividends paid	$ .80	.70	.60
Working capital	$ 10.03	9.66	9.30
Stockholders' equity	$ 15.11	14.44	14.31
Average shares outstanding	2,002,970	1,981,128	1,940,384
Net earnings as a per cent of stockholders' equity at beginning of year	10.1	11.2	10.1

DECEMBER 31, 1966

1963	1962	1961	1960	1959	1958	1957
45,580,820	44,350,017	32,650,669	31,142,645	22,800,362	18,939,250	19,505,175
5,507,120	4,302,151	5,163,214	5,174,536	3,400,216	1,801,539	1,174,508
3,249,100	2,362,475	2,570,000	2,656,500	1,913,400	990,195	835,747
2,258,020	1,939,676	2,593,214	2,518,036	1,486,816	811,344	338,761
5.0	4.4	8.0	8.1	6.5	4.3	1.7
1,158,160	1,158,949	938,209	898,292	605,804	331,178	336,303
1,097,518	1,053,456	828,141	781,652	695,116	671,647	646,054
24,236,878	22,458,729	18,697,992	18,023,154	15,078,162	13,540,680	13,273,596
7,518,875	6,562,136	7,423,772	5,248,293	3,459,610	2,492,740	2,588,174
16,718,003	15,896,593	11,274,220	12,774,861	11,618,552	11,047,940	10,685,422
3.2	3.4	2.5	3.4	4.4	5.4	5.1
5,383,914	5,676,994	1,263,000	1,481,555	1,100,000	1,200,000	1,300,000
1,293,079	1,011,087	1,240,703	1,172,654	762,234	787,010	694,731
26,548,959	25,544,704	23,848,982	22,779,963	20,266,054	19,560,342	19,159,049
1.17	1.00	1.37	1.32	.86	.46	.19
.60	.60	.50	.50	.35	.188	.188
8.68	8.22	6.03	6.63	6.73	6.26	5.98
13.78	13.21	12.75	11.82	11.74	11.09	10.72
1,929,932	1,930,750	1,887,584	1,906,584	1,731,384	1,766,284	1,793,616
8.8	8.1	11.4	12.4	7.6	4.2	1.8

Amounts per share are stated after appropriate adjustments for the stock splits effective May 18, 1960 and March 29, 1966 and for the number of shares held in treasury.

ACCOUNTANTS' REPORT

THE STOCKHOLDERS

CROMPTON & KNOWLES CORPORATION:

We have examined the consolidated balance sheet of Crompton & Knowles Corporation and subsidiaries as of December 31, 1966 and the related statement of earnings and retained earnings and the consolidated source and use of funds statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of Crompton & Knowles Corporation and subsidiaries at December 31, 1966 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated source and use of funds statement for the year ended December 31, 1966 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

January 19, 1967

PLASTICS PROCESSING MACHINERY

Portion of Company's total sales--20%

PRODUCTS — Extrusion machinery systems for: wire and cable insulation/pipe/sheet/film/fiber/compounding/rubber/Noncontact thickness gauges/Wire and cable handling equipment.

PLANT — Pawcatuck, Connecticut

Demand for Davis-Standard extrusion machinery reached record levels during 1966 with orders, shipments and end-of-year backlog all at new highs. New orders were half again greater than 1965 and more than double the 1964 rates. Shipments were markedly above 1965 and twice the 1964 volume.

The wire and cable industry continues to grow with the burgeoning demands of today's increasingly complex society. Typical of this expansion is the uniquely designed new annex to the Bristol, Rhode Island plant of Kaiser Aluminum and Chemical Corporation. The tower of this 500,000 square foot wire and cable plant will contain a Davis-Standard vertical continuous vulcanizing system to coat high quality, heavy-wall cable.

The abnormally high rate of expansion taxed all the resources and facilities of the division, creating an urgent need for substantial increases in personnel, accelerated training programs and sizable amounts of overtime and subcontracting.

The rapid growth rate at Davis-Standard can be attributed to a number of factors, among which, of course, is the favorable economic climate for capital goods. More important, however, is the growing demand for, and acceptance of, Davis-Standard equipment in many extrusion fields.

An increasing number of machines were sold to concerns making plastic sheet, and an accelerated pace of orders for extrusion equipment to produce synthetic fiber, plastic pipe, and film was experienced during the year.

Davis-Standard extrusion systems are getting ever greater calls to do all types of insulating work as their customers' markets grow. The electric wire and cable industry is going through a period of substantial expansion. The telephone industry is currently enjoying exceptional growth, and the nation's total number of telephones is expected to double over the next fifteen years. One of the fastest growing segments within this industry is that of the independent telephone companies serving the rural areas of the country.

Influenced by the administration in Washington, the nation's "Beautility" program is leading to a rapid rise in the use of underground distribution of residential power (U.R.D.) in place of the traditional pole-mounted service. Unlike overhead distribution, all underground cables must be insulated, and the trend

Newly developed demands for wire and cable exert their influence each day. One good example is the installation of underground wiring for telephone and electric service requiring special protective insulation in this poleless development.

is sharply toward extruded insulation requiring added machinery capacity.

In the many market places for plastics processing machinery today, more and more the user wants and requires "process knowledge" from the equipment manufacturer. The people who make up Davis-Standard are providing an increasing source for such technology. There is a trend also to the requirement of complete equipment systems capable of turning raw material into the desired finished product, and Davis-Standard is constantly improving its capabilities for supplying such machinery systems.

Davis-Standard's growth results from more than just the health of the markets in which it sells. During the past year Davis-Standard introduced a new patented system for extrusion and continuous curing of rubber shapes. Also, 1966 saw the introduction of our new modular design extruder which offers the customer greater capacity and more flexibility at no increase in cost.

New plastic products made on Davis-Standard machines are continually gaining consumer acceptance and increasing the demand for this division's product. Some of these are foam plastic cups, meat trays, egg cartons, U. S. Government approved clear vinyl packaging film, and durable home appliance items such as hair dryer cases and refrigerator door panels.

Current market surveys indicate that the plastics processing industry, with its demand for machinery, will grow approximately 130% over the next five years, based upon present thermoplastic materials available to this market area and presently-known processing techniques. We expect to grow along with the industry using our machines.

Davis-Standard ended the year with a backlog twice as great as at the end of 1965, and nearly three times higher than that at the end of 1964. This heavy demand for Davis-Standard machinery calls for further expansion in productive capacity and organization to handle the higher volume of shipments ahead.

The plastics industry uses Davis-Standard equipment in its quickly expanding take-over of areas traditionally serviced by non-plastic products. A typical application is this low-maintenance, solid vinyl siding for homes.

PACKAGING MACHINERY

Portion of Company's total sales—6%

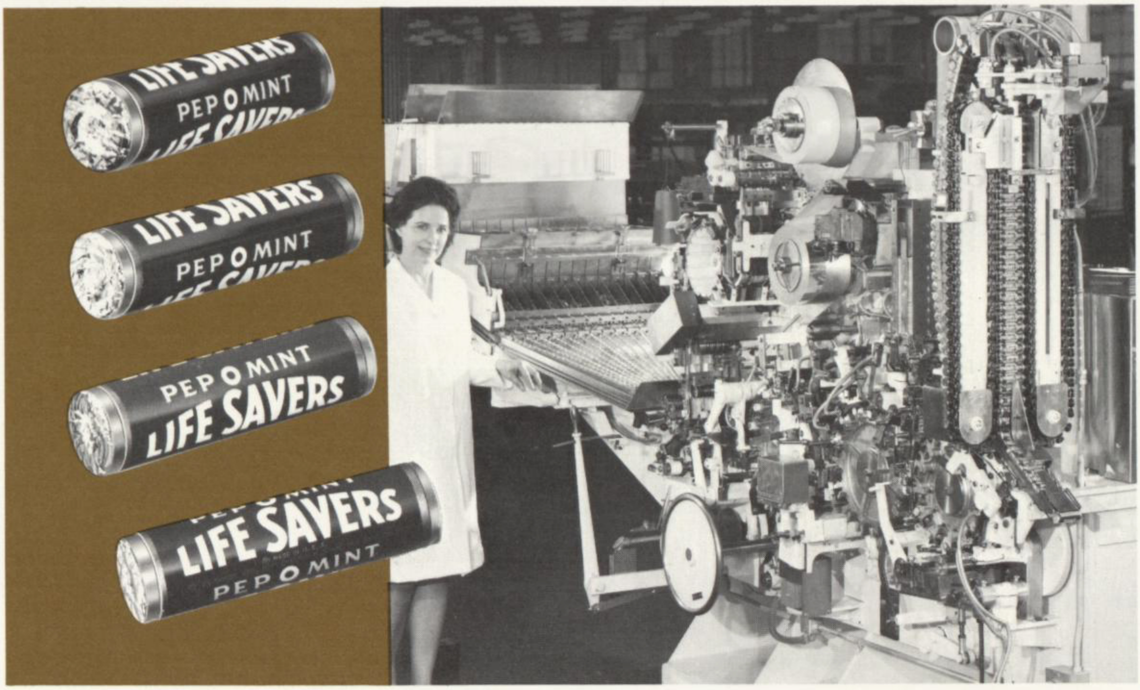
PRODUCTS—cartoners/multipackers/roll wrapper machines/overwrappers/bundlers, case openers, gluers and sealers/strip and pouch packagers/special purpose machinery

PLANTS — Bellwood, Illinois; Agawam, Massachusetts

Our Packaging Machinery Group had a busy year of good business in its stimulating market. Each day more products are automatically packaged in a multitude of different sizes, shapes and types of material to meet both the functional needs of the product, sanitation, and the aesthetic as well as practical demands of the consumer. The packaging industry does this job, which is a growing and changing one primarily because of new products to be packaged and new materials available for use. The packaging machinery manufacturer, in turn, must develop new machinery designs to handle the new products and materials efficiently. Even in those cases where the package does not change, greater speeds, higher reliability and additional versatility are constant user demands.

The necessity for manufacturers to use their workers more efficiently increases continually as they strive to remain competitive in the market place, and the cost of packaging creates a need for new machines to handle larger product volumes at lowest possible unit costs. The total market for packaging machines, which vary in price from a few hundred to several hundred thousand dollars, is estimated to be upward of one-quarter of a billion dollars annually. This market is made up of a range of machinery from the very simple to extremely complicated high speed systems with capabilities of wrapping, cartoning, and multipacking, all in one continuous operation.

At each Packaging Machinery Group plant we have developed specialized engineering skills. At the same time we take advantage of the broad engineering capabilities represented by the total organization. The Bellwood plant



One of our packaging machine specialties is roll wrapper machines. This high speed convertible model was recently introduced, and lines of them are now busy wrapping well known brands of hard mints and candy like Life Savers.

specializes in high speed roll wrapping machinery, automatic cartoners, and multipacking machinery, with many variations to meet specific customer needs. The Agawam plant has concentrated its skills on strip and pouch packaging operations, semi-automatic cartoning machinery, overwrapping, bundling, and case packing machinery.

In addition to the standard ranges of machinery which can be modified to meet many requirements, new machines are continually being developed. During 1966 completely new machines were developed to handle the automatic cartoning of ammunition and high speed folding and insertion of circulars into cartons; we also introduced convertible roll machinery with the capabilities of making packages of several sizes at speeds up to 200 per minute. In addition, a machine that can count and wrap coins at up to 2400 per minute is now ready for sale. Wrapping machines capable of using most types of shrink films to wrap at advanced speeds while making a better package using less film are now available. All this new machinery will have an effect on sales and profits in 1967 of the Packaging Machinery Group which starts with the largest backlog of confirmed machine orders in its history.

The Liquifilm process for using molten plastics or resins under controlled conditions has been in research and development for some years. This technique which consists of applying film to a package as it moves forward on a conveyor, continues to show promise for future profits as a result of developments which have taken place in the chemical field during 1966. There is close liaison and cooperation with potential users of this process and with the chemical companies developing film materials. Some limited commercial applications are expected in 1967.

As a continuing policy our research and new product developments are being strongly accented to broaden machinery markets. By working closely with manufacturers and users of packaging materials we are anticipating new packaging trends and translating them into machinery that can be marketed profitably.

Shrink films are becoming increasingly important to the packaging industry, and we have developed a machine capable of wrapping a variety of shapes by this process. Wrap King Sales Manager Richard J. Taylor and Group Advertising and Sales Promotion Manager Gordon S. Swift examine its protective, attractive and economical handiwork.

INTERNATIONAL

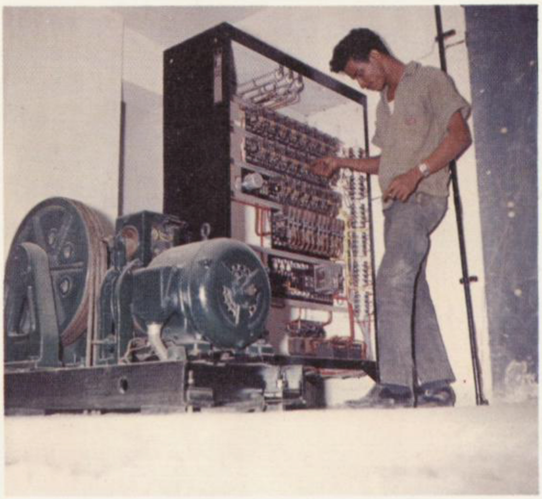
Textile machinery sales to overseas markets during 1966 expanded greatly. Our loom shipments into Latin America continued at a healthy rate and new markets for our highly successful needle loom series were found in Asia with shipments to Formosa and Japan. Important orders were filled for Hunter opening and blending equipment in Latin America establishing a foothold for this line in that area. Hong Kong has found a need to install automatic blending equipment and orders were booked there and in Formosa for this equipment. There was also some improvement in sales in Europe.

A sizable order for worsted looms has been delivered to Russia by our Japanese associates against barter payment. Important sales from our Italian licensee to Latin America were made, once again emphasizing the importance of having these affiliates. These are sales that could not have been made from our plants in the United States.

The line of textile drying equipment of the Industrial Heat division acquired in 1965 has been well received overseas and continued success can be forecast abroad with this specialized equipment.

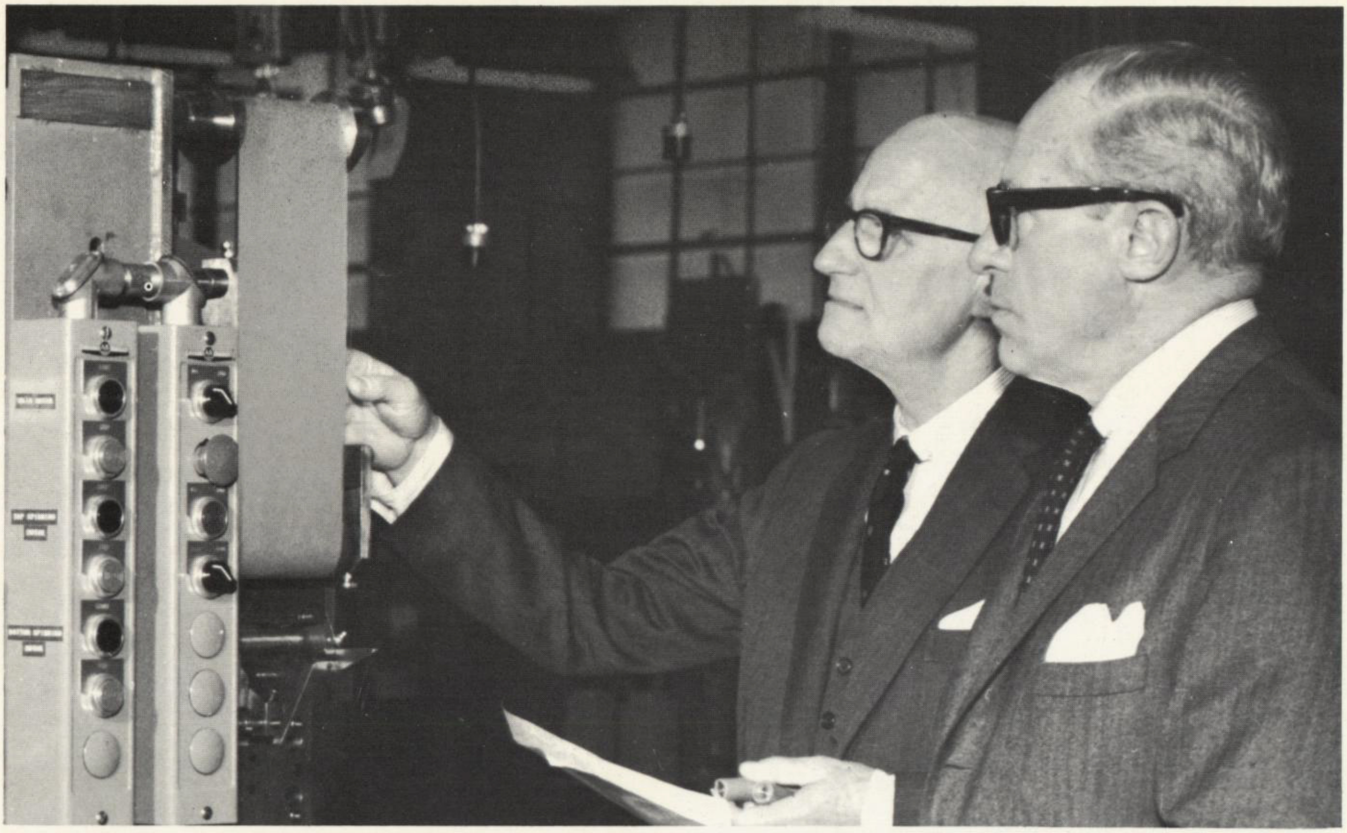
There is real market potential for extrusion and wire and cable coating equipment in countries in the early stages of industrialization. These countries literally have yet to be wired for electrical and communications purposes. Here Davis-Standard equipment coats wire and cable in India.

Export orders for Davis-Standard equipment progressed very well with installations going, among other countries, to South Vietnam, South Korea, India, South Africa, Spain and Nassau. Underdeveloped countries constitute a particularly good market for extrusion and wire and cable coating equipment. Sales in Japan by our Japanese joint venture company, Nihon Davis-Standard, exceeded a million dollars in their second year. A license arrangement has been concluded for the manufacture of extrusion equipment in Australia.



This Indian worker is wiring an electrical panel for a newly constructed building in Bombay in a scene illustrative of the work and materials this and other underdeveloped countries have only just begun to require.

Export sales of the Chemicals Group increased significantly over 1965. Investigation of dyestuffs manufacture in Europe continued and the first step, a service laboratory on the Continent, is planned for early 1967.



Frederic W. Howe, Jr. and James Barringer examine a new C&K coin counting machine at the Bellwood plant.

DIRECTORS

James Barringer
Elected 1959
Executive Vice-president

Edward L. Clifford
Elected 1953
President,
Worcester County National Bank, Worcester

William O. Fisher
Elected 1964
Vice-president

Carl S. Forsythe
Elected 1953
Attorney,
Forsythe, McGovern, Pearson & Nash, New York

Frederic W. Howe, Jr.
Elected 1940
President

James H. Hunter
Elected 1962
Vice-president

John Jeppson
Elected 1965
Executive Vice-president,
Norton Company,
Worcester

Arloe W. Paul
Elected 1963
District Sales Manager,
Allen-Bradley Co., New York

William J. Speers, Jr.
Elected 1954
Attorney,
Warner, Stackpole, Stetson & Bradlee, Boston

Robert W. Stoddard
Elected 1953
President,
Wyman-Gordon Co.,
Worcester

John C. Whitehead
Elected 1960
Partner,
Goldman, Sachs & Co.,
New York

OFFICERS

Frederic W. Howe, Jr.
President

James Barringer
Executive Vice-president and Treasurer

William O. Fisher
Vice-president

James H. Hunter
Vice-president

Roger R. Bradford
Assistant Treasurer and Secretary

William J. McLaughlin
Assistant Treasurer and Comptroller

Howard W. Moore
Assistant Treasurer

Transfer Agents
First National City Bank, New York
Worcester County National Bank, Worcester

Registrars
Morgan Guaranty Trust Company, New York
The Mechanics National Bank of Worcester, Worcester

Auditors
Peat, Marwick, Mitchell & Co., Worcester

Common stock listed on the New York Stock Exchange

The annual meeting of stockholders will be held at the Company's offices in Worcester on April 11, 1967.

This entire report is set in type faces made by Societa Nebiolo, Turin, Italy, which manufactures Crompton & Knowles machinery for distribution in Europe.

Arloe W. Paul, John C. Whitehead and Edward L. Clifford

In October directors toured the Worcester plant and here William J. Speers, Jr., William O. Fisher, Carl S. Forsythe, John Jeppson, James H. Hunter and Robert W. Stoddard watch our truck axle machine operate.

ANNUAL REPORT 1966

CROMPTON & KNOWLES CORPORATION AND SUBSIDIARIES

Crompton & Knowles Corporation
Executive Offices
93 Grand Street, Worcester, Mass. 01610

Crompton & Knowles of Canada Limited, Montreal, P.Q., Canada
Crompton & Knowles International Limited, Montreal, P.Q., Canada
Crompton & Knowles–Malimo, Inc., Worcester, Mass.
Winsor & Jerauld Manufacturing Company, Providence, Rhode Island
Lendt & Company Inc., New York, New York

Davis Advertising, Inc., Worcester, Mass., U.S.A.